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[REDACTED]

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[REDACTED]

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**FAR EAST**

**1. Chou En-lai denies that the Soviet Union is "running" China:**

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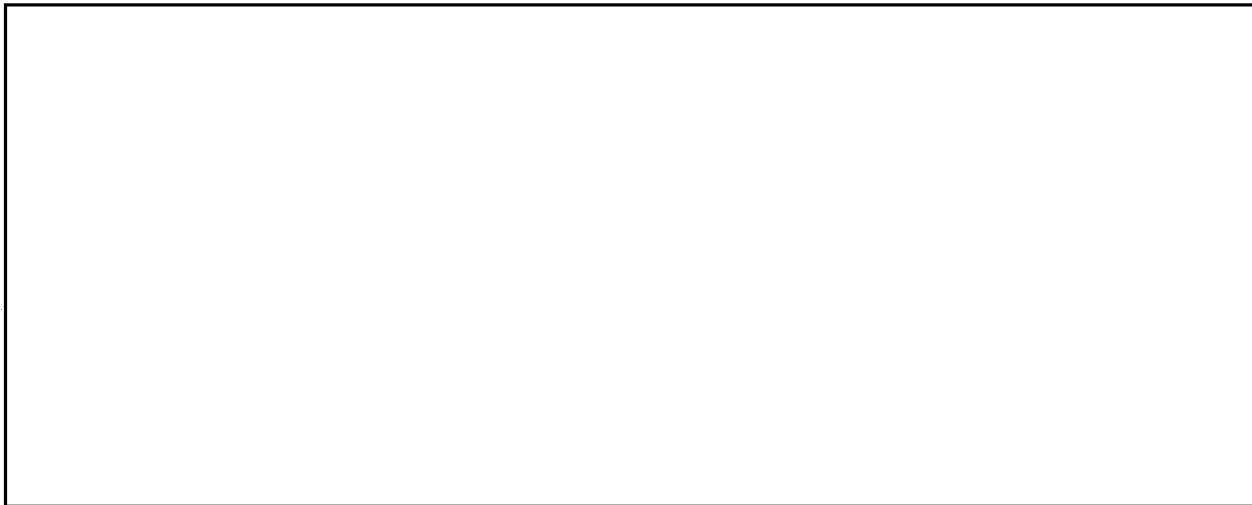


Madame Pandit has told American Ambassador Bowles that in May, Chinese Premier Chou En-lai stated emphatically to her that "Russia was not running China and never would." She found extreme sensitivity in Chinese government circles on the question of Soviet influence.

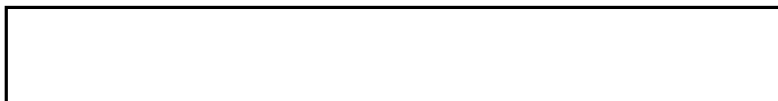
Madame Pandit is convinced that Chou wishes to see China "build herself up independent from Russia." She believes that the Chinese are not "stooges" of the Soviet Union and are not likely to become so.

Comment: Chinese Communist leaders have often asserted privately that they are not subservient to the USSR. They are all publicly committed, however, to a Stalinist world view, and the policies of their regime have been consistently Stalinist.

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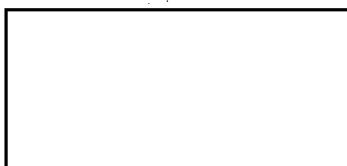
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3. France agrees to repatriate Chinese Nationalist internees:

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The French Government has agreed in principle to the repatriation of the Chinese Nationalist troops interned in Indochina.

The Foreign Ministry has informed the Chinese Minister in Paris that the first step would be to repatriate "sick or invalid" internees, after a check by the International Red Cross on their health and on their choice of repatriation to Formosa or the Chinese mainland.

It was emphasized to the Chinese Minister that, if the repatriation process were publicized by the Taipei government, the whole plan would be dropped.

Comment: France has been reluctant to repatriate to Formosa the estimated 30,000 interned Nationalist troops because of fear of provoking the Chinese Communists. The French Government, however, has been anxious to reduce the financial burden of maintaining the internees, and may be attempting to induce the Chinese to reverse their recent decision to vote in favor of raising the Tunisian issue before the United Nations.

4. French officials question potential of Vietnamese army:

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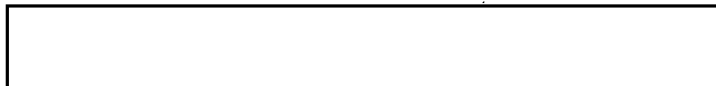


The American Consul in Hanoi comments that several French officials, including a ranking military officer, recently expressed doubts of the potential of the Vietnamese National Army.

Among the reasons given were the shortage of officers, resentment at French control of the army, and absence of a nationalistic spirit among Vietnamese recruits.

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These opinions, the Consul observes, merit consideration in the light of Letourneau's recent statement that France will begin to withdraw its troops from Indochina before the end of this year.

Comment: Although French military and political policy in Indochina is keyed to the creation of a Vietnamese National Army, French officials have long voiced doubts that an effective army can be developed.

5. Report of Thai army commander's death false:

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The recent report that General Phin, Thai Army commander, died on 30 June has been denied. Rumors of his death in Bangkok official circles may have resulted from a recent operation undergone by Phin.

SOUTH ASIA

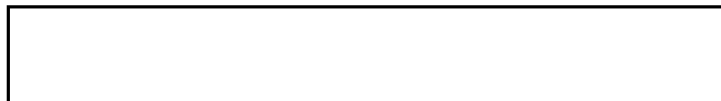
6. Comment on leftist influences which may affect Nehru's decisions on Korea and Kashmir:

The prospective presence in New Delhi of three leftist Indian officials may soon subject Prime Minister Nehru to strong pro-Communist and anti-American influences at a time when he is deciding policy on Korea and Kashmir.

K. M. Panikkar, retiring pro-Communist Indian Ambassador to China, has recently arrived in India. V. K. Krishna Menon, Indian High Commissioner in London, is returning to India by air to confer with Nehru. Menon is a suspected Communist with violently anti-American views. He has implied that he wished to become the new Ambassador to Peiping, although Panikkar's successor has already been named. Kashmiri Premier Sheikh Abdullah, an opportunist surrounded by numerous leftist advisers, has said that he may also visit New Delhi in the near future. All three of these men exercise considerable influence over Nehru.

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7. USSR seeks Pakistani decision on wheat offer:

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On 4 July, the Soviet Charge in Karachi urged the Prime Minister for a reply on the Soviet offer to barter Russian wheat for Pakistani cotton and jute as a means of easing Pakistan's food crisis.

The Prime Minister then reiterated to American Ambassador Warren that his government had to have 300,000 tons of wheat to overcome present food shortages. He said that he would have to get a portion of it from the Soviet Union if he could not obtain it from the United States.

Comment: In 1951, the USSR won a propaganda victory by selling and delivering a token quantity of wheat to India while a 2,000,000 ton wheat loan was under consideration in the United States.

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**WESTERN EUROPE**

**9. French Government presses for answer on US military aid:**

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[REDACTED] Foreign Minister Schuman and Defense Minister Pleven have stressed their fear that American delay in replying to Pleven's 6 May request for additional financing of French military production will have serious consequences.

Schuman states that the government is being severely criticized for accepting the Lisbon NATO commitments, and Pleven is under "intense pressure" from the cabinet to explain what budgetary action might be required as a result of the American answer.

Comment: Pleven had hoped to avoid the consequences of a military budget inadequate to cover France's NATO commitments. Since Washington has decided to finance less French military production than Pleven had requested, the Defense Minister can be expected to carry out his threat to curtail expenditures for basic military installations. This would further delay the NATO build-up on the continent.

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[REDACTED]